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June 12, 2023

State Auditor Identifies Pervasive Problems with PUC's Gas Pipeline Safety Program

DENVER—The Colorado Office of the State Auditor (OSA) has issued a performance audit of the Public Utility Commission's (PUC) and the Department of Regulatory Agencies' (Department) management and oversight of Colorado's Gas Pipeline Safety Program (Program). Overall, auditors identified pervasive problems in each area of Program operations they reviewed, which auditors concluded collectively demonstrate that the Program has not sufficiently met federal and state requirements, or legislative intent, to help ensure gas pipeline safety in Colorado. This performance audit found that the Program lacks adequate practices and processes for inspecting operators, enforcing safety requirements, assessing and collecting penalties from operators for noncompliance, investigating safety accidents related to operators and pipelines, ensuring its inspectors are trained and/or supervised and do not have conflicts of interest when conducting inspections, reporting Program information and performance as part of federal grant requirements, and managing complaints from the public related to operators and gas pipeline safety.

Pipelines primarily move natural gas and propane from a utility operator or a storage facility to residential, commercial, and industrial consumers. The federal Pipeline and Hazardous Materials Safety Administration (PHMSA) sets safety requirements for gas pipelines and approves states to administer gas pipeline safety programs. States may issue more stringent safety regulations for *intrastate* pipelines, as long as the state regulations are compatible with federal regulations. Colorado's Gas Pipeline Safety Program, which was created in 1993 within the PUC, is Colorado's federal-state program that enforces federal pipeline safety requirements promulgated under federal law. Through the Program, the PUC regulates all public and private operators of intrastate transmission and distribution pipelines from processing facilities to customer meters.

Auditors found that the Program did not inspect operators or have records to show that it inspected operators within required 1- to 5-year timeframes from 2017 to 2022, did not meet federal inspection metrics, and had missing or incomplete inspection records. Auditors specifically identified the PUC's incomplete recordkeeping as a significant barrier to their ability to fully assess the Program's inspection activities. Auditors also found that 13 of 15 Program inspectors lacked required training and supervision when independently conducting a combined total of 545 inspection activities of operators from 2020 to 2022. Lastly, auditors raised concerns about PUC and Department processes for managing conflicts of interest, having identified three inspectors who inspected their most recent former operator employers immediately after being hired at the PUC.

In addition, auditors found that the Program did not issue any written compliance actions to enforce safety requirements for 5,280 of 5,643 (94 percent) instances of operator noncompliance that inspectors identified from 2017 to 2022. The Program gave some verbal warnings to operators, including for accidents resulting in casualties, and did not always follow up on noncompliance to ensure that operators fixed safety issues. From 2017 to 2022, the Program assessed only 23 penalties for operator noncompliance—mostly against small private operators. In these years, the assessed penalties totaled \$10.9 million, but the Program collected only four penalties totaling \$208,530. The PUC had not updated state regulations to implement the penalty amounts required by federal regulations and state statute.

Auditors also found that operators failed to report 54 gas-related safety accidents in Colorado from 2017 to 2022, so the Program did not investigate them. These accidents were only identified by the audit team through its review of federal records and news media reports. The Program lacked complete investigation records for 294 other accidents between 2017 and 2022. For example, in 2021 and 2022, 84 percent of records lacked evidence of an on-scene accident investigation by the Program. The Program misreported key information to PHMSA for 2019 to 2022, such as the number of gas pipeline accidents in Colorado and compliance actions taken against operators. The Program had not tracked or resolved complaints received about gas pipeline safety and operators, although complaints should be considered when the Program plans inspections and investigations and when the PUC reviews operators' requests for rate changes.

“The Program’s inspection and enforcement activities are critical to protecting public safety and reducing the likelihood of a pipeline accident that could cause injuries and property damage,” said Jenny Page, Legislative Audit Manager. “The PUC and the Department have a duty to the people of Colorado to ensure that the Program is managed and overseen efficiently and effectively.”

The audit, which was conducted in response to a legislative request, makes 12 recommendations to the PUC and the Department for improvements. The full audit report is available online at www.colorado.gov/auditor.

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